BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 92-208-E - ORDER NO. 95-654

MARCH 16, 1995

IN RE: Duke Power Company - Integrated Resource Plan (IRP).	)))	ORDER GRANTING MODIFICATION OF LOAD CONTROL PROGRAM

This matter comes before the Public Service Commission of South Carolina (the Commission) on the proposal of Duke Power Company (Duke or the Company) to revise its Residential Load Control Program under Rider LC. Duke proposed to reduce the credit to $8.00 per each of the four summer months for air-conditioning load control for future customers, effective with the Order, and for current customers to be effective July 1, 1995.

Pursuant to the instructions of the Executive Director, Duke served its customers with notice of the proposed modification. Numerous Protests were received, and a night hearing was held on December 5, 1994 in Spartanburg, South Carolina.

An evidentiary hearing was held on February 22, 1995 at 10:30 a.m. in the offices of the Commission, with the Honorable Rudolph Mitchell, Chairman, presiding. The Applicant was represented by Mary Lynne Grigg, Esquire, and William Austin, Esquire. Duke presented the testimony of Barbara G. Yarbrough and H. Ed Ernst, Jr. The Intervenor South Carolina Department of Consumer Affairs appeared, represented by Nancy V. Coombs, Esquire. The Consumer

Advocate presented no witnesses. The Commission Staff was represented by F. David Butler, General Counsel. The Staff presented the testimony of A. R. Watts.

The testimony of H. Ed Ernst, Jr. described the program proposed for modification. The Residential Air-Conditioning Load Control Program is an interruptable Demand-Side option that offers residential customers with a central air-conditioning unit a monthly bill credit for four summer billing months of July through October. In exchange for the credit, participants allow Duke to interrupt service to their central air-conditioning systems any time the Company has capacity problems. The program allows Duke to reduce peak demand during capacity problem situations, and thereby reduce the need for future generation. The program is designed such that the bill credits plus the cost to administer the program are lower in costs than building a new combustion turbine unit. By offering this program, Duke reduces the need for new supply-side resources. To this point, according to Ernst, Duke has utilized the program for capacity problems on only a limited number of occasions.

Ernst stated that currently customers participating in the program receive a monthly bill credit of $3.25 per KW of full load name plate compressor capacity for the four summer billing months of July through October. (The usage months for these billing months are June through September.) The average credit is $15.80 per month for the four summer billing months. Based on 1992 program evaluation results, Duke determined that the Residential

Air-Conditioning Load Control Program required modification. The cost of the program, according to Duke, outweighs the long-term benefits of avoided capacity and energy that this program provides. In other words, according to Duke, at current cost and credit levels, the Residential Air-Conditioning Load Control Program is more costly than a combustion turbine unit.

According to Duke, the primary fact affecting program cost effectiveness is the level of credit paid compared to the benefit received. As a result, Duke redesigned the Residential Air-Conditioning Load Control Program, and developed a credit structure that was comparable to the benefit received. As a result of Duke's program redesign, the credit structure was revised to pay a flat credit of $8.00 per month per home for the four billing months of July, August, September, and October.

Also, Duke compared the current level of credit paid by other utilities for similar programs, and conducted research with the residential customers to test various cost effective credit levels and formats. Duke states its belief that if it is not allowed to make the Residential Air-Conditioning Load Control Program cost effective by modifying the credits, the purpose of the Integrated Resource Planning (IRP) process will be undermined.

The objective of IRP as set forth by this Commission is "the development of a plan that results in the minimization of the long run total costs of the utility's overall system, and produces the least cost to the consumer. The process involves use of Demand-Side Management (DSM) Programs to minimize system costs, and costs to customers as a whole. The process also involves continuous examination of Duke's DSM Programs to ensure the programs remain cost effective.

The request to change the air-conditioning load control credits is, according to Duke, a classic example of the IRP process at work, and is based on a need to modify the program perceived by Duke to ensure future cost effectiveness. Duke is requesting that the Commission approve the changes in the program as filed in Duke's March 9, 1994 filing, which requested approval of the changes to the Air-Conditioning Load Control Credit, and revised the credit level for all customers to $8.00 per month, effective with the summer 1995 billings.

Following the expiration of the notice period, the Commission issued an Order dated September 12, 1994, Order No. 94-918, which approved the part of Duke's proposal that new customers would receive a credit of $8.00 per month for the four summer billing months. The Order also provided for further review of the proposal as it related to existing customers. Subsequently, the Commission scheduled a public hearing on December 5, 1994 in Spartanburg, South Carolina.

A number of customers questioned and expressed concerns about Duke's proposal. According to Duke witness Yarbrough, generally, the customers stated that they did not understand how changes to the program would make it "cost effective." Others perceived the changes to this program which provides a credit as a rate increase and/or violation of their contract. Some customers clearly remembered the contract and the payment for installation, but were unclear as to the contract terms and the amount paid for installation. Apparently, according to Duke, the only times the customers' air-conditioners had been interrupted under the terms of the Rider, due to capacity problems, was in 1988. Approximately 15% of Duke's residential customers participate in the Central Air-Conditioning Load Control Program. Duke now asks that the $8.00 credit per month for the four summer months which was approved by the Commission for new customers after September 12, 1994, be approved for all customers.

The testimony of A. R. Watts showed, among other things, that, if the incentives for other existing customers are not modified by the Company, the Rate Impact and Utility Costs Tests result in scores of 0.92. If a DSM option has a test score of less than 1, this indicates that it is not cost effective. These test results indicate that consideration of some modification to the program would be appropriate, according to Staff witness Watts.

The Commission has examined the record in this matter, and considered the testimony and statements of Duke's customers, Duke's employees, the Consumer Advocate's office, and the Commission Staff, and believes that Rider LC should be modified beyond that which we stated in Order No. 94-918. We hold that any customer currently being served under the Residential Air-Conditioning Load Control Tariff, who is receiving credits during the usage months of June through September based on the size of the installed unit, will have the option to notify Duke on or before May 1, 1995, that they would like to be removed from the tariff. Should a customer choose to be removed from the tariff prior to the summer of 1995, Duke will be responsible for the cost of removing any device associated with providing this service. If a customer elects to remain on the tariff during the summer of 1995, the level of credit will be paid on the same basis as it was during the summer of 1994. Following the summer of 1995 season, the customer will have the option to remain on the tariff, and credits will be based on $8.00 per month for the usage months of June through September commencing with the month of June 1996. Should the customer elect to remain on the tariff during the summer of 1995, and at any time thereafter, elect to be removed from the tariff, the cost of removing any equipment will be the customer's responsibility.

The Commission has considered this matter thoroughly, and believes that the above-stated is a reasonable solution which balances the interests of all parties in this Docket. Customers who wish to be removed from the tariff prior to the commencement of the 1995 summer months may be so removed, with Duke paying the removal cost of the equipment. A customer may remain on the tariff during the 1995 summer months and receive the present credit, but should the customer desire to be removed from the tariff after that time, that customer will pay for removal costs. Customers who remain on the tariff for years after 1995 will receive the $8.00 per month flat credit. We believe that the modification as stated above is in the public interest, is consistent with the Commission's January 25, 1993 Order regarding Duke's 1992 IRP, and do hereby adopt same. This Order shall remain in full force and effect until further Order of the Commission.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Rudolph Mitchell
Chairman

ATTEST:

Gary E Walsh
Deputy Executive Director

(SEAL)